

Stricken language would be deleted from and underlined language would be added to present law.

State of Arkansas  
95th General Assembly  
Regular Session, 2025

# A Bill

SENATE BILL 316

By: Senator B. Johnson

By: Representative Beaty Jr.

## For An Act To Be Entitled

AN ACT TO AMEND THE SALES AND USE TAX LAWS CONCERNING REBATES; TO REQUIRE THAT SALES AND USE TAX REBATES BE ADMINISTERED AS REFUNDS; AND FOR OTHER PURPOSES.

## Subtitle

TO AMEND THE SALES AND USE TAX LAWS CONCERNING REBATES; AND TO REQUIRE THAT SALES AND USE TAX REBATES BE ADMINISTERED AS REFUNDS.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code Title 26, Chapter 52, Subchapter 1, is amended to add an additional section to read as follows:

26-52-112. Refunds.

Except as otherwise provided by law, a refund provided under this chapter or the Arkansas Compensating Tax Act of 1949, § 26-53-101 et seq. shall be automatically provided to the taxpayer entitled to the refund.

SECTION 2. Arkansas Code § 26-52-427 is amended to read as follows:

26-52-427. Property purchased for use in performance of construction contract – Definition.

(a) A contractor that purchases tangible personal property which becomes a recognizable part of a completed structure or improvement to real property and which is purchased for use or consumption in the performance of construction contracts shall be entitled to a ~~rebate on~~ refund of any additional gross receipts tax or compensating use tax levied by the state or



any city or county if:

(1) The construction contract for which the tangible personal property was purchased is entered into prior to the effective date of the levy of the additional state, city, or county gross receipts tax or compensating use tax; and

(2) The contractor paid the additional gross receipts or compensating use tax to the seller.

(b) As used in this section, "construction contract" means a contract to construct, manage, or supervise the construction, erection, or substantial modification of a building or other improvement or structure affixed to real property. "Construction contract" shall not mean a contract to produce tangible personal property.

(c) The ~~rebate~~ refund provided by this section shall apply to tangible personal property purchased within five (5) years from the effective date of the levy of the additional state, city, or county gross receipts tax or compensating use tax.

(d) The ~~rebate~~ refund provided by this section shall not apply to cost-plus contracts which allow the contractor to pass any additional tax on to the principal as a part of the contractor's costs.

(e) Interest shall not accrue or be paid on an amount subject to a ~~claim for rebate pursuant to~~ refund under this section.

(f) The Secretary of the Department of Finance and Administration shall promulgate rules and prescribe ~~forms for claiming a rebate as provided by the method of providing a refund under~~ this section.

SECTION 3. Arkansas Code § 26-52-447(f)-(i), concerning the sales tax exemption related to the partial replacement and repair of certain machinery and equipment, are repealed.

~~(f) A taxpayer may claim the benefit of the tax refund under this section only by using one (1) of the following methods:~~

~~(1)(A) Both:~~

~~(i) Obtaining a direct pay or a limited direct pay sales and use tax permit from the Department of Finance and Administration; and~~

~~(ii) Self-refunding:~~

~~(a) At the time the taxpayer files his or her~~

~~original sales and use tax report; or~~

~~(b) By later filing an amended sales or use tax report with the department.~~

~~(B) The statutes of limitation stated in § 26-18-306 apply to claims made under this subdivision (f)(1).~~

~~(C) Interest shall not accrue or be paid on a refund claimed under this subdivision (f)(1); or~~

~~(2)(A) Beginning July 1, 2018, for a taxpayer that does not hold a direct pay or limited direct pay permit, holds an active Arkansas sales and use tax permit, and files sales and use tax reports with the department, filing a claim for a credit or rebate with the department.~~

~~(B)(i) The credit or rebate authorized under this subdivision (f)(2) shall be obtained only by offsetting the amount of the claimed credit or rebate against the state tax to be remitted with the taxpayer's sales and use tax reports.~~

~~(ii) If the total amount of the credit or rebate authorized under this subdivision (f)(2) is greater than the amount of the state tax to be remitted with the taxpayer's sales and use tax reports, the taxpayer is entitled to a refund of the difference between the amount of the tax owed and the amount of the credit or rebate authorized under this subdivision (f)(2).~~

~~(C) A taxpayer claiming a credit or rebate under this subdivision (f)(2) shall electronically file all sales and use tax reports.~~

~~(D) A claim for credit or rebate under this subdivision (f)(2) shall not be paid for a claim filed more than one (1) year following the date of the qualifying sale or more than one (1) year following the date of payment, whichever is later.~~

~~(E) Interest shall not accrue or be paid on an amount subject to a claim for a credit or rebate under this subdivision (f)(2).~~

~~(g) A claim for a credit or rebate shall not be paid under subdivision (f)(2) of this section for a sale made before July 1, 2018.~~

~~(h) A taxpayer shall not claim the benefit of the refund under this section by filing a verified claim for refund with the department.~~

~~(i) The following provisions of the Arkansas Tax Procedure Act, § 26-18-101 et seq., apply to claims for a refund under this section:~~

~~(1) The time limitations that apply to claims for a refund of an~~

~~overpayment of state tax; and~~

~~(2) The procedures that apply to the disallowance or proposed disallowance of claims for a refund.~~

SECTION 4. Arkansas Code § 26-52-523(b)-(g), concerning the credit or rebate on local sales and use tax, are amended to read as follows:

(b)(1) A purchaser that pays any municipal sales or use tax in excess of the tax due on the first two thousand five hundred dollars (\$2,500) of gross receipts or gross proceeds from the purchase of a travel trailer or from a qualifying purchase of tangible personal property, specified digital products, a digital code, or a taxable service in a single transaction is entitled to a ~~credit or rebate~~ refund of the excess amount of municipal sales or use tax paid on each single transaction.

(2) A purchaser that pays any county sales or use tax in excess of the tax due on the first two thousand five hundred dollars (\$2,500) of gross receipts or gross proceeds from the purchase of a travel trailer or from a qualifying purchase of tangible personal property, specified digital products, a digital code, or a taxable service in a single transaction is entitled to a ~~credit or rebate~~ refund of the excess amount of county sales or use tax paid on each single transaction.

(c)(1) A purchaser that is required by § 26-52-501, § 26-52-509, or § 26-53-125 to file a sales or use tax return may file a claim for a ~~credit or rebate~~ refund under this section with the Secretary of the Department of Finance and Administration in connection with the sales or use tax return and offset the amount of ~~credit or rebate~~ refund claimed against any municipal or county sales or use tax due to be remitted with the return.

(2) ~~A~~ The secretary shall automatically issue a refund to a purchaser that qualifies for a ~~credit or rebate~~ refund under this section and is not required to file a sales or use tax return as provided in subdivision (c)(1) of this section ~~may file a claim for a credit or rebate under this section with the secretary.~~

(3) If a ~~rebate~~ refund would be due under this section as a result of the purchase of a travel trailer and if the gross receipts or compensating use tax on the travel trailer is collected directly from the purchaser by the Department of Finance and Administration under § 26-52-510 or § 26-53-126, then the department shall collect only the amount of tax due

less the amount to which the purchaser would be entitled under the ~~rebate~~ refund provisions of this section.

~~(d) A credit or rebate under this section shall not be paid for a claim filed more than one (1) year following the date of the qualifying purchase or more than one (1) year following the date of payment, if later.~~

~~(e) A claim for a credit or rebate under this section shall be filed with the local taxing jurisdiction if, at the time the claim is filed, the local sales or use tax that is the subject of the claim has been out of existence for more than sixty (60) days.~~

~~(f) No interest shall accrue or be paid on an amount subject to a claim for a credit or rebate~~ refund under this section.

~~(g)~~(e) The secretary may promulgate rules to administer this section, including without limitation providing an administratively feasible method for ~~filing a claim for a credit or rebate~~ providing refunds and any necessary forms.

SECTION 5. Arkansas Code § 26-53-138 is amended to read as follows:

26-53-138. Exemption for property purchased for use in performance of construction contract – Definition.

(a) A contractor that purchases tangible personal property which becomes a recognizable part of a completed structure or improvement to real property and which is purchased for use or consumption in the performance of construction contracts shall be entitled to a ~~rebate on~~ refund of any additional gross receipts tax or compensating use tax levied by the state or any city or county if:

(1) The construction contract for which the tangible personal property was purchased is entered into prior to the effective date of the levy of the additional state, city, or county gross receipts tax or compensating use tax; and

(2) The contractor paid the additional gross receipts or compensating use tax to the seller.

(b) As used in this section, “construction contract” means a contract to construct, manage, or supervise the construction, erection, or substantial modification of a building or other improvement or structure affixed to real property. “Construction contract” shall not mean a contract to produce tangible personal property.

(c) The ~~rebate~~ refund provided by this section shall apply to tangible personal property purchased within five (5) years from the effective date of the levy of the additional state, city, or county gross receipts tax or compensating use tax.

(d) The ~~rebate~~ refund provided by this section shall not apply to cost-plus contracts which allow the contractor to pass any additional tax on to the principal as a part of the contractor's costs.

(e) Interest shall not accrue or be paid on an amount subject to a ~~claim for rebate pursuant to~~ refund under this section.

(f) The Secretary of the Department of Finance and Administration shall promulgate rules and prescribe ~~forms for claiming a rebate as provided~~ by the method of providing a refund under this section.

SECTION 6. Arkansas Code § 26-53-149(f)-(i), concerning the use tax exemption related to the partial replacement and repair of certain machinery and equipment, are repealed.

~~(f) A taxpayer may claim the benefit of the tax refund under this section only by using one (1) of the following methods:~~

~~(1)(A) Both:~~

~~(i) Obtaining a direct pay or a limited direct pay sales and use tax permit from the Department of Finance and Administration; and~~

~~(ii) Self-refunding:~~

~~(a) At the time the taxpayer files his or her original sales and use tax report; or~~

~~(b) By later filing an amended sales or use tax report with the department.~~

~~(B) The statutes of limitation stated in § 26-18-306 apply to claims made under this subdivision (f)(1).~~

~~(C) Interest shall not accrue or be paid on a refund claimed under this subdivision (f)(1); or~~

~~(2)(A) Beginning July 1, 2018, for a taxpayer that does not hold a direct pay or limited direct pay permit, holds an active Arkansas sales and use tax permit, and files sales and use tax reports with the department, filing a claim for the credit or rebate with the department.~~

~~(B)(i) The credit or rebate authorized under this~~

~~subdivision (f)(2) shall be obtained only by offsetting the amount of the claimed credit or rebate against the state tax to be remitted with the taxpayer's sales and use tax reports.~~

~~(ii) If the total amount of the credit or rebate authorized under this subdivision (f)(2) is greater than the amount of the state tax to be remitted with the taxpayer's sales and use tax reports, the taxpayer is entitled to a refund of the difference between the amount of the tax owed and the amount of the credit or rebate authorized under this subdivision (f)(2).~~

~~(C) A taxpayer claiming a credit or rebate under this subdivision (f)(2) shall electronically file all sales and use tax reports.~~

~~(D) A claim for credit or rebate under this subdivision (f)(2) shall not be paid for a claim filed more than one (1) year following the date of the qualifying purchase or more than one (1) year following the date of payment, whichever is later.~~

~~(E) Interest shall not accrue or be paid on an amount subject to a claim for a credit or rebate under this subdivision (f)(2).~~

~~(g) A claim for a credit or rebate shall not be paid under subdivision (f)(2) of this section for a purchase made before July 1, 2018.~~

~~(h) A taxpayer shall not claim the benefit of the refund under this section by filing a verified claim for refund with the department.~~

~~(i) The following provisions of the Arkansas Tax Procedure Act, § 26-18-101 et seq., apply to claims for a refund under this section:~~

~~(1) The time limitations that apply to claims for a refund of an overpayment of state tax; and~~

~~(2) The procedures that apply to the disallowance or proposed disallowance of claims for a refund.~~

SECTION 7. EFFECTIVE DATE. Sections 1-6 of this act are effective on the first day of the calendar quarter following the effective date of this act.